

ORIGINAL

Sheila Stoeller



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From: Bob Golembe [anthemkid@cox.net]
Sent: Thursday, December 24, 2009 12:01 PM
To: Sheila Stoeller
Subject: Fw: Complaint: Arizona American Water Rate Filing; Docket: W-01303A-09-0343
Attachments: Moratorium 2002 Reason.pdf

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SW-01303A-09-0343

AT CORP COMMISSION
DOCKET CONTROL

Hi Sheila,

I just sent this note to Chairwoman Mayes and Commissioners and I apologize for not including you in the distribution. It is my hope that it is docketed.

Merry Christmas and All Good Wishes in 2010!

Bob

Arizona Corporation Commission

DOCKETED

DEC 28 2009

DOCKETED BY

[Signature]

----- Original Message -----

From: Bob Golembe
To: Chairwoman Mayes
Cc: Commissioner Kennedy ; Commissioner Newman ; Commissioner Pierce ; Commissioner Stump
Sent: Thursday, December 24, 2009 4:15 PM
Subject: Complaint: Arizona American Water Rate Filing; Docket: W-01303A-09-0343

Dear Chairman Mayes and Commissioners:

My name is Bob Golembe and I am a resident of Anthem since 2002. In the current filing by Arizona American Water, they claim as a defense for their huge rate increase (which includes repayment of infrastructure to the developer, Pulte) reasons: 1) Anthem buildout occurred in 10 years vs. the expected 20 years, and 2) the Commission imposed a moratorium on rate increases for 3 years.

My curiosity guided me to research why the Commission placed a 3-year moratorium on raising rates? I found the answer in Decision 65463, dated December 12, 2002. It is part of a number of Decision conditions ("Condition 15") from their application for RWE's acquisition of Arizona American's parent company. Commission Staff proposed increasing the moratorium from 1-year to 3-year (which expired January 11, 2006) to provide increased protection for Arizona American customer/rate payers. However, the condition specifies that they can't file in this period of time for **NON-EMERGENCY** filings. See the attached pdf.

They state correctly that they were restricted by the Commission from filing rate increases for 3-years known as the "moratorium" period and is one of their excuses for filing excessive rate increases in June 2006 (91% tariff) and now in July 2009 (100% water, 81% wastewater). But, they never have stated to the public this "condition" attached to the moratorium.

During the period of 2003, 2004 and 2005, Pulte was selling houses by the "tons" and pipes, meters, "infrastructure", etc. were being added to new lots. One doesn't have to be a rocket scientist to see that their costs were building up sooner than later and buildout was not too far off (2008). Therefore, I believe the company had the authority to file if their financial position could be proven dire, urgent or an emergency, to

mitigate rate shock, but they didn't. So, on the one hand they claim they have experienced huge revenue losses during this 3-year period and now trying to recoup, but had the right to file and chose not to.

Perhaps this information can be considered in the current rate case to support achieving a fair value and rate increase.

Respectfully submitted,

Bob Golembe
Anthem, AZ

1 **D. Rate Increase Moratorium**

2 Condition 15 proposed by Staff would require Arizona-American to refrain from filing any
3 non-emergency rate increase requests for one year from the closing date of the reorganization. We
4 believe that increasing this moratorium from one year to three years is appropriate, as it would
5 provide increased protection to Arizona-American's ratepayers. We will therefore amend Condition
6 15 as proposed by Staff to require that Arizona-American refrain from filing any non-emergency rate
7 increase requests for three years from the closing date of the reorganization.

8 **E. Conclusion**

9 Staff and Arizona-American agree that as a result of the proposed transaction, Arizona-
10 American may benefit from the lower cost of capital that RWE enjoys as compared to that of
11 Arizona-American's affiliate, American Water Capital Corp., which currently provides debt capital to
12 Arizona-American through its parent, American Water Works. Because RWE's credit ratings are
13 superior to those of American Water Capital Corp. at the present time, and RWE has a substantially
14 larger market capitalization than that available to Arizona-American through American Water Works
15 and American Water Capital Corp., RWE currently has greater equity and debt financing capability
16 than American Water Works and American Water Capital Corp.

17 Precise quantification of benefits to Arizona-American resulting from RWE's lower cost of
18 capital is difficult, however, due to factors such as the maturity dates of existing debt, uncertainty
19 concerning future levels of capital expenditures and associated financing requirements, and changes
20 in interest rates and potential future changes in credit ratings. Utility rates can be impacted by
21 holding company structure and capitalization, and we believe that utility ratepayers should not be
22 required to bear the burden of financial risk resulting from holding company diversification.
23 Understanding this, Staff has proposed fifteen conditions that it recommends we place upon our
24 approval of the transaction. Staff believes its proposed conditions will provide Arizona-American's
25 ratepayers with protection from the possible adverse effects of the reorganization. Arizona-American
26 disagrees with certain of those conditions. We believe, however, that the public interest requires that
27 the Commission apply the Affiliated Interests Rules in a manner that will maximize protection to
28 ratepayers, and for the reasons stated above, we believe that approval of the transaction proposed in